

PROJECT OVERSIGHT REPORT

Insurance System Replacement Project (ISRP)
Health Care Authority

Report as of Date:
August 2003

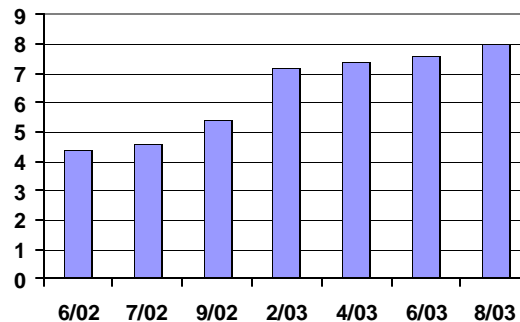
Project Director: Christine Spaulding
Executive Sponsor: Tom Neitzel

MOSTD Staff: Tom Parma

Severity/Risk Rating: High (high severity, high risk)

Oversight: Level 3 – ISB

Overall Project Risk Assessment



Staff Recommendations: After the July 10 Board meeting, oversight staff submitted a letter to the Health Care Authority (HCA) summarizing the Board-assigned tasks as well as additional tasks assigned by the staff. HCA was also instructed to provide an interim report by mid-August to the Board documenting HCA's progress against the assigned tasks. A copy of the letter is included at the end of this report.

Issues/Risks:

- **Schedule:** This project is behind schedule and will not meet the revised October 6, 2003 implementation date. A significant problem continues to be the quality of the application builds coming from the vendor as well as the accuracy of their development task estimates. HCA and Healthaxis have reviewed all project tasks and will present the updated schedule at the September ISB meeting. Once HCA has received a stable system from the vendor, they will require 14-16 weeks for User Acceptance Testing, Training, and Implementation.
- **Budget/Cost:** The project is over budget; it was increased by \$150,000 to cover internal project staffing costs associated with the first delay to October 6, 2003. HCA's budget for the 2003-2005 Biennium does not include funding for continued operations and support at the Department of Personnel (DOP), accruing at approximately \$200,000/month. A one-year implementation delay will result in a \$2.4 million overrun on DOP charges alone. This projected cost overrun has not yet been included in the project budget. Because this is a fixed-price contract, the vendor costs have not increased.
- **Scope:** No issues/risks to report.
- **Resources:** The Department of Personnel (DOP) operates and provides technical support for HCA's current Public Employee Benefits Board (PEBB) system; these systems cannot be decommissioned until HCA's Insurance System Replacement Project (ISRP) is in production. DOP is planning to reassign IT personnel that support HCA to the ISRP project in the near future. In addition, DOP is planning to release contract staff assigned to support HCA beginning later this year. Although DOP and HCA continue to discuss mitigation alternatives for this issue, the continuing delay of ISRP and resulting unavailability of DOP support staff will adversely affect ISRP.

- Project Management/Processes: HCA has engaged a consultant, Milestone Technology, to conduct an external assessment of the project, independent from either the existing staff or the QA vendor. The assessment will review project management, oversight, QA, and development practices. It will also examine the condition of the project, identify any performance gaps, and develop a plan for addressing the gaps.
- Other
 - Defects: Progress is being hampered by two factors. First, there have been problems with the quality of the application builds; HCA has been assisting with system testing. The quality of the vendor's regression testing has resulted in closed defects being re-opened in subsequent builds. Second, the rate at which defects are discovered is approximately the same as the rate at which they are fixed. Although the information captured on defects is monitored very closely, the number of open defects is not decreasing.
 - Impact on DOP: The continued implementation delay for ISRP may force DOP to inadequately staff the ISRP project.

Status:

- Life Cycle Stage: Phase II, in progress – Detailed application design requirements (completed), data migration, development (completed), and test.
- Budget/Cost: The project is over budget. To date, actual expenses have been \$2,990,993. The budget has increased \$150,000 to account for increased staffing costs resulting from the delayed October implementation date. Costs resulting from delays past the October date have not yet been included.
- Schedule: The project is behind schedule. See *Project Management/Processes* above.

Background Information

Description: This project was originally assessed as a Level 2 project – staff oversight. It was raised to Level 3 – ISB oversight at the February 2003 ISB meeting.

The Health Care Authority (HCA) received ISB approval and legislative funding to replace its two separate systems that support the Public Employee Benefit Board (PEBB) and Basic Health (BH) insurance lines of business with a single vendor-supplied system. The PEBB system was developed and is operated and maintained by the Department of Personnel (DOP); the BH system was developed and is operated and maintained by HCA staff. The goal of this project is to provide a single health insurance system to support both PEBB and Basic Health insurance lines of business, provide technology to improve the use of information, and reduce the overall cost of processing.

The new insurance system is expected to improve customer service by providing more accurate and timely resolution to customer inquiries, and by improving business processes and workflows. The new system will give customers and providers the ability to perform several functions over the Internet such as: applying for insurance; updating personal information; paying premiums; and checking eligibility. It will also position the agency to comply with the federal Health Insurance Portability and Accountability Act (HIPAA) of 1996.

In addition to the intangible benefits of improved customer service, this initiative is anticipated to provide over \$1.5 million in annual benefits primarily from reduction in operational costs. The project has a five-year payback period.

The contract was awarded to Healthaxis Inc. for \$3.036 million and work began June 3, 2002. KPMG has been engaged as the external Quality Assurance (QA) vendor.

The major project phases are:

- Phase I – Requirements definition, system architecture selection.
- Phase II – Detailed application design requirements, data migration, development, test.
- Phase III – Acceptance testing, training, implementation.

Although not technically a phase of the development portion of the project, a parallel activity is the decommissioning of the insurance functions of the PEBB system at DOP.

Technology: The new system will make use of Sun servers running UNIX and Oracle database products.

Budget: The budget is \$5.14 million for the entire project, including decommissioning. The project is fixed-price, deliverables-based. Of this amount, \$4.4 million is for purchasing, tailoring, implementing, and training for the new system; \$975,000 is for the system decommissioning at DOP. The original estimated project budget was \$5.23 million (including \$3 million for contingency). The budget has increased \$150,000 to account for increased staffing costs resulting from the delayed October implementation date. This increased the project budget to \$5.38 million. HCA requested \$4.99 million; the legislature approved \$3.64 million. The difference is to be funded from operational savings after the application is in production. Further delay costs have not yet been included. The system hardware and software has been received and installed at DIS.



STATE OF WASHINGTON

DEPARTMENT OF INFORMATION SERVICES

Olympia, Washington 98504-2445

July 22, 2003

Mr. Pete Cutler, Acting Administrator
Washington State Health Care Authority
POB 42682
Lacey, WA 98504-2682

RE: HCA Tasks from the July 10 ISB Meeting

Dear Pete:

Thank you for your presentation on the status of HCA's Insurance System Replacement Project (ISRP) at the July 10, 2003 ISB meeting. The Board outlined several tasks that it is expecting HCA to perform and report back through Roy Lum, ISB Liaison. HCA was instructed to:

- Provide the following to DIS oversight staff:
 - An adjusted project plan with baseline(s) reflecting the original (6/30/03), modified (10/6/03), and any subsequent (post-10/6/03) schedules
 - Copies of all ISRP QA reports received to date ("a review of what QA is reporting to you and also to DIS on the status of this project and what should be done in order to ensure that we are on track")
- Finish your preparation and refinement of a "ready to launch" contingency plan, one that can be invoked to support open enrollment with existing applications
- Identify the potential impacts to the DOP HRMS project if HCA's ISRP application is not in production by the planned October 6, 2003 date
- Involve DIS oversight staff to:
 - Ensure the project schedule is realistic and complete
 - Review the risk assessment with the QA vendor; make any adjustments as necessary
 - Ensure that the contingency plan is coordinated with DOP

Although not specifically requested by the Board, HCA should also provide the following documents to DIS oversight staff:

- A copy of the original contract including statements of work (SOWs) and any contract amendments
- A copy of the current issues log

The Board is expecting an interim report from HCA by mid-August on the progress of these items. The next Information Services Board meeting is scheduled for September 11th.

In order to meet the October 6th go-live date, the vendor, Healthaxis, has requested that HCA compress its schedule activities once a stable system has been delivered. However, Healthaxis has not provided a sufficiently detailed schedule that would allow HCA to determine how much compression would be required to achieve the October 6th date.

Therefore, in addition to the above HCA required activities, there are several tasks that are the responsibility of Healthaxis and its subcontractor, Satyam. HCA and Healthaxis are to ensure these items are updated and current, and be prepared to review them with DIS oversight staff:

- Defects
 - Review the list of currently identified outstanding defects; determine if interdependencies exist between/among the defects
 - Validate the problem statement and whether the proposed solution will satisfactorily address the problem statement
 - Validate the priority assigned to the defect
 - Estimate the effort required to fix the defect
 - Update affected project management tracking tools/plans
- Planning
 - Healthaxis must update its project plan with valid estimates for the activities not yet completed
 - The project plan must include a baseline and critical path

If you have any questions about these items, please do not hesitate to contact Roy Lum or me. Thank you.

Sincerely,

Tom Parma
Policy and Oversight Manager

Cc: Tom Neitzel, HCA
Chris Spaulding, HCA
John O'Malley, KPMG
Roy Lum, DIS

Attachment: Verbatim of HCA Portion of ISB meeting